

Financial Statements

Farmland Reserve UK Limited

For the Year Ended 31 December 2012



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27/09/2013

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COMPANIES HOUSE

Company No. 1332670
Charity No. 274605

Company information

Company registration number:	1332670
Charity registered number:	274605
Registered office:	Manor Farm Church End, Woodwalton Huntingdon Cambridgeshire PE28 5YU
Bankers:	Natwest 92 High Street Huntingdon PE29 3DT
Solicitors:	Devonshires Salisbury House London Wall London EC2M 5QY
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Colmore Plaza 20 Colmore Circus Birmingham B4 6AT

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Report of the trustees

The trustees are pleased to present their report together with the consolidated financial statements of The Charity for the year ended 31 December 2012

Directors and trustees

The directors of the charitable company (The Charity) are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees

The trustees serving during the year and subsequent to the year end and up to the date of signing the report were as follows.

Paul Genho
Don Sleight
Jess Leo Knight (Resigned 9 August 2012)
James Rodney Larson (Resigned 1 March 2013)
Mark Edward Knight (Appointed 1 March 2013)

None of the trustees have qualifying third party indemnity insurance

Secretary

Jess Leo Knight (Appointed 9 August 2012)

Area controller

Jerry Wamsley

Structure, governance and management

Governing document

The Charity continues to be both a limited company and a registered charity. In conjunction with this, The Charity is governed by its Memorandum and Articles of Association which were last amended on 22 November 2011

Appointment of trustees

As set out in the Articles of Association, new or additional directors (trustees) are to be appointed by the shareholder (Farmland Reserve, Inc) or by decision of the trustees, providing such persons are willing so to act either to fill a vacancy or as an additional trustee

Trustee induction and training

New trustees undergo an orientation day to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision making processes, the business plan and recent financial performance of The Charity

During the induction day they meet key employees and other trustees. Trustees are updated and advised on legal issues by Devonshires solicitors

Organisation

The sole shareholder of The Charity is Farmland Reserve, Inc a non-profit corporation based in Utah, USA.

Direction is channeled to The Charity via the shareholder and is reflected in the various department budgets/plans which are reviewed by the trustees annually

Within this framework, the board of trustees administers the affairs of The Charity. The trustees monitor progress and achievements throughout the year and other trustee meetings are held as necessary

Report of the trustees (continued)

Employees

The Charity has the policy of ensuring that its employees are those that are able to meet the necessary requirements of their position and are up to date on any developments required for their position. This is achieved in a variety of ways

- Applications for new positions in The Charity are invited from anyone with the relevant qualifications – the key emphasis is on their ability to meet the requirements of the position although the application form does request the applicant to mention if they have any illness or medical condition which the employer would need to be aware of in order to make reasonable adjustments should they be successful
- The Charity utilises regular staff meetings during the year which help to ensure that the employees' input is received regarding any decisions which affect their interests. In addition, there are websites and e-mail facilities available to enable more effective communication and training. This helps to ensure that employees receive systematic updates on matters concerning them as employees and ensures their involvement in relation to the financial and economic factors that affect the performance of The Charity
- In addition to the above points, The Charity is mindful of the need to cater for those with disabilities. Where any employees become incapacitated during their employment they are entitled to receive long-term disability benefits from The Charity. Where an employee becomes disabled but not incapacitated the employer will make any reasonable adjustments necessary. The same opportunities are available to all staff, irrespective of disability. The key emphasis is on the technical ability of each employee

Related parties

On 30 August 2012, a donation of £31,593,000 was transferred from The Charity, to a sister charity, the Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints

The Charity holds 100% of the share capital of its subsidiary company, AgReserves Limited

Principal risks and uncertainties - financial risk and management

The following statements summarise The Charity's policy in managing identified forms of financial risk.

- Price risk – salary costs are communicated to staff during the formal annual review of salaries. Prices of materials purchased are subject to contracts with suppliers, based on current market prices
- Credit risk – Credit risk on amounts owed to The Charity by its customers is low as the main debtor is AgReserves Limited which is a wholly owned subsidiary
- Liquidity risk – The Charity has no long-term borrowings. Assurances of continuing financial support have been received from the parent company
- Interest rate cash flow risk – The Charity is able to place surplus funds on short term deposit with the company's bankers

The trustees have a risk management strategy which encompasses

- an annual review of the risks The Charity may face,
- the establishment of systems and procedures to mitigate those risks identified in the strategy; and
- the implementation of procedures designed to minimise any potential impact on The Charity should those risks materialise

Report of the trustees (continued)

Objectives and principal activities

The object of The Charity is

To promote and further the religious and other charitable work of The Church of Jesus Christ of Latter-day Saints in the United Kingdom and elsewhere and to assist members and other persons who are in conditions of need, hardship, sickness and distress, to all ages and denominations

The trustees have determined to retain a portion of reserves for future possible agricultural land acquisitions, but to utilise a significant portion as a charitable grant in furtherance of The Charity's aims and purposes, which are to further the religious and other charitable work of The Church of Jesus Christ of Latter-day Saints

Previous to the donation being made, the trustees considered various alternatives, including donations to various charitable organisations within the UK and internationally. Trustees met with representatives of The Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints ("CPB") regarding the possibility of making a significant donation in 2012 to support CPB building projects for religious purpose buildings which CPB and the Church have approved in various nations. The trustees have reviewed the manner in which these projects are identified and approved by internal Church committees, the nature of the projects and their religious and charitable purposes, the infrastructure and controls that CPB has in place regarding the implementation of these projects, and the trustees came to the conclusion that making a significant donation to CPB was consistent with the aims and purposes of The Charity. During 2012 it made the donation of the value aforementioned to CPB.

CPB identified a number of specific projects for implementation internationally in pursuit of its purposes to the success of which The Charity now has had the opportunity to contribute significantly.

The projects identified by CPB to utilise the donation are building projects that will occur over multiple years, thus the trustees will monitor the progress and use of these funds verifying that they do indeed meet the Charities objectives for the donation. This will occur through multiple formats, Board meetings, reports from CPB and meetings with CPB representatives.

The Charity will support charitable organisations, trusts, associations or institutions formed for any of the charitable purposes included in the Objects, through the provision of sponsorship, grants or other financial or in kind contributions.

Public benefit

The trustees have read and given due regard to the guidance on public benefit published by The Charity Commission in exercising their powers and duties.

Report of the trustees (continued)

Achievements and performance

The following is a summary of how the significant donation made in 2012 is currently planned to be spent, and its related expenditure to date. The trustees receive a detailed report, which lists an expenditure status project by project and extends several pages, thus providing the Trustees with the detail and ability to review that the funds are being used in line with the Charity's objectives. The values are in dollars as per the received report.

Building Category	Location	Planned (\$)	2012 Expenditure (\$)
Meeting Houses	Europe	5,672,940	1,119,430
	West Africa	4,988,159	449,047
	Southeast Africa	24,693,217	358,326
Cancelled	Southeast Africa	(11,429,661)	
substitutions	Southeast Africa	17,175,605	590,646
Church Education Facilities	Various	5,664,968	4,771,064
	Additional (Bel Grano, Argentina)		1,287,706
Temples	London	656,130	82,787
	Accra Ghana	3,349,587	2,739,155
TOTAL		50,770,945	11,398,161

Originally the planned total was \$50,019,284, due to cancellations and substitutions in Southeast Africa along with additional projects and revised Temple project estimates the new planned total is \$50,770,945. As is to be expected this is still an estimate and thus subject to on-going revision as per usual building projects. The Trustees are pleased with how quickly the funds have been able to be put to use and feel this supports their original decision that CPB were organised in such a way with the necessary resources to be able to expedite the use of these funds much more efficiently than if the Charity itself had gone through the necessary process to achieve similar results.

Subsidiary undertakings

AgReserves Limited's principal activity continued to be that of arable farming and operated a policy of generating the highest profits feasible from efficient farming techniques that utilise the latest technology. AgReserves Limited leases all of the farmland owned by Farmland Reserve UK Limited and then farms that land. The trustees are mindful that the small and somewhat scattered nature of some of the parcels of land do lead to some labour and equipment inefficiencies. The trustees believe that this weakness in the operations of the farms can be overcome by consolidating land holdings around one major farm centre in Cambridgeshire. This process of consolidation began in 2008 and has continued through to 2012. During 2012 the trustees approved the sales of certain farm holdings in outlying regions resulting in a profit on disposal of £15,743,000 (2011: £16,669,000).

The net income of the subsidiary AgReserves Limited included in the statement of financial activities was a profit of £2,345,000 (2011: £2,020,000).

Report of the trustees (continued)

Financial results

Each year the trustees carry out a detailed review of The Charity. They review the previous year's achievements and review and approve the budgets for next year.

The end of the year saw an excellent financial result based on strong financial management.

Incoming resources saw a slight increase from £26,053,000 in 2011 to £26,156,000 in 2012. These similar results to the previous year were primarily due to the profit on disposal of £15,743,000 from the sale of the Suffolk farming properties.

The other incoming resources were income from trading subsidiaries (£8,991,000) and investment income (£743,000).

Costs were maintained within budget but increased from £13,246,000 in 2011 to £38,731,000 in 2012, primarily due to a donation of funds to CPB for the value of £31,593,000. In addition the general inflationary economic climate contributed to rising costs.

Net outgoing resources for the year were £12,576,000 (2011 £12,807,000 net incoming resources).

Investment powers and policy

Under the Articles of Association, The Charity has the power to invest in any way the trustees deem to be in the best interests of The Charity.

The Charity's objective is to maintain high liquidity while ensuring maximum security and achieving the highest possible return.

To achieve this objective, The Charity by the year end had invested £29.6 million (2011 £29.3 million) of excess funds in an Instant Access Interest Bearing account with high security rating and achieved an average rate of 1.50% (2011 1.50% gross) during 2012.

Investment income is recognised on a receivable basis.

Reserves policy

The trustees have established the level of reserves (that is those funds that are freely available) that The Charity and its subsidiary companies ought to have ready access to. Reserves are needed to bridge any funding gap between spending and receiving resources through shareholder grants and Leasing of Farmland.

The trustees' policy is to hold, as a minimum, the equivalent of approximately 12 months charitable expenditure in reserves.

The actual reserves at 31 December 2012 were £69,101,000 (2011 £81,677,000) which is significantly above the trustees' target due to retaining a portion for possible future agricultural acquisitions as part of its ongoing consolidation efforts.

It is the trustees' view that it is prudent to ensure that there are sufficient reserves to provide financial flexibility.

The reserves policy is reviewed on an annual basis.

Report of the trustees (continued)

Plans for future periods

The goals for 2013 include plans to

- 1 Continue to enhance the profitability and efficiency of the farms through well-reasoned acquisitions and sales to achieve, over time, a concentration in land holdings around one major farm. Any future acquisitions will be funded from retained reserves or future sales.
- 2 To continue monitoring the use of the significant donation made to CPB in 2012 and ensure its expenditure meets the charities objectives as agreed when the donation was made. This will occur through both formal meetings and monitoring through reports presented to the Trustees by CPB.
- 3 To carefully monitor the balance of unrestricted funds while striving to achieve the concentration efforts identified in goal 1, so that funds can be put to the use of the charities objectives as swiftly as possible.
- 4 Identify other charitable organisations, trusts, associations or institutions formed for any of the charitable purposes included in the Objects, to support through the provision of sponsorship, grants or other financial or in kind contributions.

Trustees' responsibilities in relation to the financial statements

The trustees (who are also directors of Farmland Reserve UK Limited for the purposes of company law) are responsible for preparing the Report of the trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law, the trustees have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group for that period.

In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company and group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the trustees is aware

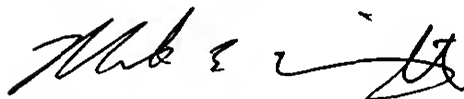
- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Report of the trustees (continued)

Auditors

Grant Thornton UK LLP are to be re-appointed as auditors to The Charity for the ensuing year

By order of the trustees



M E Knight
Trustee

Date 23/09/2013

Report of the independent auditors to the members of Farmland Reserve UK Limited

We have audited the financial statements of Farmland Reserve UK Limited for the year ended 31 December 2012 which comprise the group and charitable company statement of financial activities, the group and charitable company balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees' and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 7, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the group and the charitable company's affairs as at 31 December 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the independent auditors to the members of Farmland Reserve UK Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Kathryn Godfree
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

Date *27 September 2013*

Statement of financial activities (including the income and expenditure account)

		GROUP		COMPANY	
	Note	Unrestricted Total funds 2012 £'000	Unrestricted Total funds 2011 £'000	Unrestricted Total funds 2012 £'000	Unrestricted Total funds 2011 £'000
Incoming resources					
Income resources from generated funds					
Voluntary income					
Income from trading subsidiaries	2a	8,991	8,587		-
Investment income					
Rental income		-	-	790	1,057
Interest receivable		743	378	587	288
		<u>743</u>	<u>378</u>	<u>1,377</u>	<u>1,345</u>
Other incoming resources					
Other operating income		8	11	8	11
Profit on disposal of tangible fixed assets	4	16,414	17,077	15,743	16,669
		<u>16,422</u>	<u>17,088</u>	<u>15,751</u>	<u>16,680</u>
Total incoming resources					
		<u>26,156</u>	<u>26,053</u>	<u>17,128</u>	<u>18,025</u>
Resources expended					
Expenses of trading subsidiaries	2a	6,797	6,128	-	-
Charitable activities	3a	31,924	7,101	32,039	7,221
Governance costs	3d	10	17	10	17
		<u>38,731</u>	<u>13,246</u>	<u>32,049</u>	<u>7,238</u>
Total resources expended					
		<u>38,731</u>	<u>13,246</u>	<u>32,049</u>	<u>7,238</u>
Net (outgoing)/incoming resources for the year					
		(12,576)	12,807	(14,921)	10,787
Total funds brought forward		81,677	68,870	71,959	61,172
Total funds carried forward		<u>69,101</u>	<u>81,677</u>	<u>57,038</u>	<u>71,959</u>

All operations are continuing

There is no difference between the results above and the unmodified historical equivalents for this period

The statement of financial activities includes all gains and losses recognised in the year

Balance sheet

	Note	GROUP		COMPANY	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fixed assets					
Intangible assets	7	-	34	-	-
Tangible assets	8	42,840	46,980	40,269	44,675
Investments	9	5	5	9,450	9,450
		42,845	47,019	49,719	54,125
Current assets					
Stock	10	4,450	6,100	-	-
Debtors	11	2,272	937	3,983	3,808
Cash at bank and in hand		30,265	38,481	18,725	29,421
		36,987	45,518	22,708	33,229
Creditors					
Amounts falling due within one year	12	(466)	(735)	(39)	(45)
Net current assets		36,521	44,783	22,669	33,184
Total assets less current liabilities		79,366	91,802	72,388	87,309
Provision for liabilities and charges	13	(265)	(125)	-	-
Net assets		79,101	91,677	72,388	87,309
Capital and reserves					
Unrestricted income funds					
Called up share capital		10,000	10,000	10,000	10,000
Other reserves	16	5,350	5,350	5,350	5,350
Unrestricted funds	17	63,751	76,327	57,038	71,959
Total charity funds		79,101	91,677	72,388	87,309

The principal accounting policies and notes on pages 14 to 27 form part of these accounts

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

 23/09/2013

M E Knight
Trustee

Company number 1332670

The accompanying notes form an integral part of these financial statements

Consolidated cash flow statement

	Note	2012 £'000	2011 £'000
Net cash (outflow)/inflow from operating activities		(27,896)	5,209
Tax paid		(807)	(599)
Returns on investments and servicing of finance	18a	743	378
Capital expenditure and financial investment	18a	19,744	16,942
Management of liquid resources	18a	-	10,177
(Decrease)/increase in cash in the year		(8,216)	32,107
Net funds at 1 January 2012		38,481	6,374
Net funds at 31 December 2012	18b	30,265	38,481

	Note	2012 £'000	2011 £'000
Reconciliation of operating surplus to net cash (outflow)/inflow from operating activities			
Operating (deficit)/ surplus	18a	(12,586)	13,163
Depreciation & amortisation		844	1,002
Profit on disposal of fixed assets		(16,414)	(17,077)
Decrease in stocks		1,650	378
(Increase)/decrease in debtors		(1,359)	1,102
(Decrease)/increase in creditors		(31)	33
Donation of land		-	6,608
Net cash (outflow)/inflow from operating activities		(27,896)	5,209

The accompanying notes form an integral part of these financial statements

Notes to the financial statements

1 Principal accounting policies

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice (SORP), Accounting and Reporting for Charities 2005. A summary of the significant accounting policies which have been applied consistently is set out below.

Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

Basis of consolidation

The consolidated financial statements incorporate those of Farmland Reserve UK Limited and all of its subsidiary undertakings for the year. All financial statements are made up to 31 December 2012. The consolidation has been prepared using the acquisition method of accounting. Under this method, the results of subsidiary undertakings acquired are included in the Statement of Financial Activities (SOFA) from the date of acquisition.

FRS18

The trustees have reviewed the accounting policies and confirmed that they are the most applicable.

Incoming resources

All incoming resources are included in the SOFA when the organisation is legally entitled to the income and the amount can be quantified with reasonable accuracy. Rental income is recorded in accordance with the terms of the appropriate lease. Income from subsidiaries represents revenue recognised in respect of goods and services applied exclusive of VAT and trade discounts.

Resources expended

All expenditure is accounted for on an accruals basis under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources. Direct charitable expenditure comprises expenditure directly relating to the objects of the charity.

Governance costs incorporate those costs of governance arrangements which relate to the general running of the charity as opposed to the direct management functions. The costs relating to these activities provide the governance infrastructure which allows the charity to operate and to generate the information required for public accountability. An analysis of these costs are disclosed in note 3.

Tangible fixed assets and depreciation

Individual fixed assets costing £5,000 or more are capitalised at cost. Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write down each asset to its estimated residual value over its expected useful life, as follows.

Farm houses	over 10 to 40 years
Farm buildings and amenities	over 10 to 40 years
Land Improvements	over 10 to 40 years
Equipment, fixtures and fittings	over 5 to 10 years
Plant and machinery	over 5 to 10 years

Notes to the financial statements (continued)

Intangible fixed assets

Intangible fixed assets represent purchased entitlements to receive the single farm payment subsidy. These are held at cost and amortised over their expected useful life as follows:

Single farm payment entitlements were officially going to be reviewed by the EU in 2012, these negotiations are still on-going, in light of this entitlements are being amortised on a straight line basis over 3 years.

Fixed asset investments

Fixed asset investments are stated at cost. Provision is made for any permanent diminution in value.

Stocks

Stocks and cultivations are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Government subsidies are no longer included as part of the net realisable value of the crops as directed by the Rural Payments Agency.

Provision is made for obsolete and slow-moving items. Costs include all direct costs and an appropriate proportion of fixed and variable overheads.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the SOFA on a straight line basis over the lease term.

Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the SOFA.

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more or less taxation in future. An asset is recognised to the extent that the transfer of economic benefits in future is more likely than not. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities recognised are not discounted. This policy applies equally to subsidiary undertakings.

Pension costs

The group is party to a defined benefit scheme operated by The Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plans (see note 19). The fund is valued every three years by a professionally qualified independent actuary, with rates of contributions payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of contributions made during the year or accrued at the year-end (i.e. on a defined contribution basis), as required by Financial Reporting Standard 17 "Retirement Benefits" in circumstances where the group cannot identify with any degree of accuracy its share of the scheme assets and liabilities. The company provides no other past retirement benefits to its employees.

Full details of the plan are provided in the financial statements of The Church of Jesus Christ of Latter-day Saints (Great Britain).

Notes to the financial statements (continued)

Parent company donations and capital contributions

Donations by the charity's parent undertakings to fund certain aspects of the charity's excess of expenditure over income are included within incoming resources in the year to which they relate

Capital contributions by the charity's parent undertakings to provide funding are treated as an exceptional item in the statement of financial activities in the year in which they arise

Single farm payment

Single payments are receivable on an annual basis. The annual payment is recognised in the year the application applies to. Due to the regular variation in when payment occurs, this is recognised either by accrual or upon receipt of payment.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in accordance with the general objectives of the company and which have not been designated for other purposes.

Liabilities

Liabilities are recognised when the group has a legal or constructive financial obligation that can be reliably estimated and for which there is an expectation that the payment will be made.

Investments

Investments represent cash on short-term deposit. The charity's objective is to maintain liquidity of funds while ensuring maximum security and achieving the highest possible return. Investment income is recognised on an accruals basis.

Notes to the financial statements (continued)

2a Net income of trading activities of subsidiaries

At year end the charity owned two subsidiaries which are incorporated in England and Wales

AgReserves Limited operated farming activities while Anderson Farm (Buckworth) Limited was dormant during the year

The results of the subsidiaries included in the SOFA are as follows.

	2012 £'000	2011 £'000
Turnover	9,105	8,707
Cost of sales	(5,920)	(5,336)
Gross surplus	3,185	3,371
Operating expenses	(934)	(1,115)
Operating surplus	2,251	2,256
Profit on disposal of tangible fixed assets	671	408
Interest receivable	155	90
Taxation	(733)	(734)
Net income for the year	2,345	2,020
Consolidation eliminations		
Rent payable to parent undertaking	790	1,057
Management fees receivable from parent undertaking	(114)	(120)
Net income of trading subsidiaries included in the Statement of Financial Activities	1,669	2,948

2b Assets and liabilities of subsidiaries

	2012 £'000	2011 £'000
Aggregate assets	20,860	18,441
Aggregate liabilities	(4,697)	(4,623)
Net assets	16,163	13,818

Notes to the financial statements (continued)

3a Analysis of charitable activities

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Donation of funds	31,593	-	31,593	-
Donation of land	-	6,608	-	6,608
Costs of generating funds	331	493	446	613
	<u>31,924</u>	<u>7,101</u>	<u>32,039</u>	<u>7,221</u>

3b Company charitable activities allocation

Activity	Activities undertaken directly £'000	Support costs £'000	Total £'000
Donation of funds	31,593	-	31,593
Costs of generating funds	-	446	446
Total	<u>31,593</u>	<u>446</u>	<u>32,039</u>

3c Support costs allocation

Support cost	Construction £'000	Welfare provision £'000	Total £'000	Basis of allocation
Depreciation and amortisation	-	269	269	Usage
Operating costs	-	177	177	Usage
Total	<u>-</u>	<u>446</u>	<u>446</u>	

The basis of allocation was determined by the actual usage in each of the cost categories which was attributable to that particular activity

3d Governance costs

	2012 £'000	2011 £'000
Company only audit	10	17
	<u>10</u>	<u>17</u>

Notes to the financial statements (continued)

4 Net income for the year

	2012 £'000	2011 £'000
Net income is stated after charging		
Operational leases - land and buildings	12	9
Amortisation of intangible assets	44	53
Depreciation of tangible assets	800	949
Profit on disposal of tangible assets	16,414	17,077
Auditors' remuneration – fees payable to the company's auditor in respect of group and company audit services	22	30
Auditors' remuneration – fees payable to the company's auditor in respect of group non-audit services	2	2

5 Employees

	2012 No	2011 No
The average weekly number of persons (including directors) employed by the group during the year was	18	22
	2012 £'000	2011 £'000
Staff costs for the above persons		
Wages and salaries	519	665
Social security costs	139	89
Other pension costs	103	155
	761	909

The Chanty does not have any employees

The trustees received £nil (2011 £nil) remuneration, and £nil (2011 £nil) in expenses during the year

Notes to the financial statements (continued)

6 Taxation

The company is a registered charity and as such is entitled to certain tax exemptions on income and profits carried on in furtherance of the charity's primary objectives if the profits and surpluses are applied solely for charitable purposes. Tax paid by the subsidiary companies is reconciled below:

(a) Analysis of charge in the year

	2012 £'000	2011 £'000
UK corporation tax based on results for the year at 24.5% (2011: 26.5%)	620	626
Over provision in prior year	(27)	30
Total current tax	593	656
Deferred tax		
Origination and reversal of timing differences	140	78
Tax on loss on ordinary activities	733	734

(b) Factors affecting current tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	3,078	2,754
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	754	727
Effects of		
Expenses not deductible for tax purposes	27	3
Capital allowances in excess of depreciation	(132)	(85)
Chargeable gain	-	15
Adjustments in respect of prior periods	(27)	30
Non-taxable income	(4)	(37)
Other timing differences	(25)	3
Total current tax	593	656

Notes to the financial statements (continued)

7 Intangible fixed assets

Group	Single farm payment entitlements £'000
Cost	
At 1 January 2012	121
Additions	10
At 31 December 2012	<u>131</u>
Depreciation	
At 1 January 2012	87
Charge	44
At 31 December 2012	<u>131</u>
Net book amount at 31 December 2012	<u>-</u>
Net book amount at 31 December 2011	<u>34</u>

8 Tangible fixed assets

Group	Plant and machinery £'000	Farms £'000	Total £'000
Cost			
At 1 January 2012	6,204	47,341	53,545
Additions	1,062	331	1,393
Disposals	(1,726)	(4,924)	(6,650)
At 31 December 2012	<u>5,540</u>	<u>42,748</u>	<u>48,288</u>
Depreciation			
At 1 January 2012	3,899	2,666	6,565
Charge	531	269	800
Eliminated on disposals	(1,461)	(456)	(1,917)
At 31 December 2012	<u>2,969</u>	<u>2,479</u>	<u>5,448</u>
Net book amount at 31 December 2012	<u>2,571</u>	<u>40,269</u>	<u>42,840</u>
Net book amount at 31 December 2011	<u>2,305</u>	<u>44,675</u>	<u>46,980</u>

A detailed analysis of the farm category is shown on page 22

All of the tangible fixed assets are used to generate income for charitable purposes

Notes to the financial statements (continued)

8 Tangible fixed assets (continued)

Company	Farms £'000	Total £'000
Cost		
At 1 January 2012	47,341	47,341
Additions	331	331
Disposals	(4,924)	(4,924)
At 31 December 2012	42,748	42,748
Depreciation		
At 1 January 2012	2,666	2,666
Charge	269	269
Eliminated on disposals	(456)	(456)
At 31 December 2012	2,479	2,479
Net book amount at 31 December 2012	40,269	40,269
Net book amount at 31 December 2011	44,675	44,675

A detailed analysis of the farms category is shown below

Company	Freehold land £'000	Farm houses and buildings £'000	Assets in the course of construction £'000	Land improve- ments £'000	Equipment fixtures & fittings £'000	Total £'000
Cost						
At 1 January 2012	37,309	8,939	1	244	848	47,341
Transfer between categories	-	-	-	795	(795)	-
Additions	-	86	112	133	-	331
Disposals	(4,089)	(813)	-	(22)	-	(4,924)
At 31 December 2012	33,320	8,212	113	1,150	53	42,748
Depreciation						
At 1 January 2012	-	2,400	-	69	197	2,666
Transfer between categories	-	-	-	154	(154)	-
Charge	-	231	-	36	2	269
Eliminated on disposals	-	(441)	-	(15)	-	(456)
At 31 December 2012	-	2,190	-	244	45	2,479
Net book amount at 31 December 2012	33,220	6,022	113	906	8	40,269
Net book amount at 31 December 2011	37,309	6,539	1	175	651	44,675

Notes to the financial statements (continued)

9 Fixed asset investments

Group	Listed £'000	Total £'000
Cost and net book value		
1 January 2012 and 31 December 2012	5	5

The market value of listed investments, which are included above at cost of £5,000, as at 31 December 2012 was £13,000 (2010 £11,000)

Company	Investment in subsidiary undertakings £'000
At 1 January 2012	9,450
Additions	-
Disposals	-
At 31 December 2012	9,450

The company holds more than 10% of the share capital of the following undertakings:

Name	Country of incorporation	Class of holding	Proportion directly held	Nature of business
AgReserves Limited	England	Ordinary	100%	Farming
Anderson Farm (Buckworth) Limited	England	Ordinary	100%	Dormant

On 10 December 2010 the assets of Anderson Farm (Buckworth) Limited were transferred to Farmland Reserve UK Limited and the company has been dormant since that date

10 Stocks

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cultivations	1,994	2,258	-	-
Harvested crops	2,456	3,842	-	-
	4,450	6,100	-	-

11 Debtors

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade debtors	803	820	-	-
Other debtors	1,461	105	-	-
Prepayments and accrued income	8	12	-	-
Amounts owed by group undertakings	-	-	3,983	3,808
	2,272	937	3,983	3,808

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade creditors	130	6	6	1
Other taxes and social security costs	66	213	24	29
Corporation tax	200	414	-	-
Other creditors	33	54	-	-
Accruals and deferred income	37	48	9	15
	<u>466</u>	<u>735</u>	<u>39</u>	<u>45</u>

13 Deferred tax

The movement in deferred taxation provision during the year was

	2012 £'000	2011 £'000
Provision brought forward	125	47
Income and expenditure account movement	140	78
Provision carried forward	<u>265</u>	<u>125</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2012 £'000	2011 £'000
Accelerated capital allowances	230	111
Other short term timing differences	35	14
	<u>265</u>	<u>125</u>

14 Share capital

	2012 £'000	2011 £'000
Authorised:		
25 million ordinary shares of £1 each	25,000	25,000
Allotted, issued and fully paid		
10 million ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

15 Total charity funds

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Balance at 1 January 2012	81,677	68,870	71,959	61,172
Net (outgoing)/incoming resources for the year	(12,576)	12,807	(14,921)	10,787
Balance at 31 December 2012	<u>69,101</u>	<u>81,677</u>	<u>57,038</u>	<u>71,959</u>

Notes to the financial statements (continued)

16 Reconciliation of movement in charity funds

Other reserves

	2012 £'000	2011 £'000
Opening other reserves	5,350	-
Transfer from unrestricted funds	-	5,350
Closing other reserves	5,350	5,350

Unrestricted funds

	2012 £'000	2011 £'000
Net (outgoing)/incoming resources for the financial year	(12,576)	12,807
Opening unrestricted funds	76,327	68,870
Transfer to other reserves	-	(5,350)
Closing unrestricted funds	63,751	76,327

Other reserves represents funds contributed by The Charity's immediate parent company, Farmland Reserve, Inc for use by AgReserves Limited

All of the charity's funds are entirely attributable to equity interests

17 Analysis of net assets between funds

	General funds £'000	Other reserves £'000	Total £'000
Fixed assets	42,840	-	42,840
Net current assets	31,171	5,350	36,521
Investments	5	-	5
Provisions	(265)	-	(265)
Net assets at 31 December 2012	73,751	5,350	79,101

Notes to the financial statements (continued)

18 Notes to the cash flow statement

(a) Analysis of cash flows

Reconciliation of net movement in funds to operating (deficit)/surplus

	2012 £'000	2011 £'000
Net (outgoing)/incoming resources for the year	(12,576)	12,807
Interest received	(743)	(378)
Tax charge	733	734
Operating surplus	(12,586)	13,163

Returns on investments and servicing of finance

	2012 £'000	2011 £'000
Interest received	743	378

Capital expenditure and fixed asset investment

	2012 £'000	2011 £'000
Purchase of intangible fixed assets	(10)	(19)
Purchase of tangible fixed assets	(1,393)	(9,902)
Proceeds from sale of tangible fixed assets	21,147	26,863
	19,744	16,942

Management of liquid resources

	2012 £'000	2011 £'000
Reduction in fixed term deposits	-	10,177

The group includes fixed term deposits as liquid resources

(b) Analysis of cash flows

	At 1 January 2012 £'000	Cash flow £'000	Non cash flow £'000	At 31 December 2012 £'000
Cash at bank and in hand	38,481	(8,216)	-	30,265
Net funds	38,481	(8,216)	-	30,265

Notes to the financial statements (continued)

19 Pension and other post-employment commitments

The group participates in a pension scheme operated by The Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plans ("the Plan"). The scheme is of the defined benefit type and is funded by contributions from the participating companies and their employees at rates determined by independent actuaries in the light of regular valuations. Such contributions are held in trustee-administered funds completely independent of group finances. Full disclosure of the valuation is shown in the accounts of The Church of Jesus Christ of Latter-day Saints (Great Britain). The group has accounted for the scheme as if it was a defined contribution scheme because it is not feasible to split the assets and liabilities of the scheme between all the companies whose employees are members. Contributions to the scheme for the year were £103,158 (2011 £155,083).

20 Related party transactions and ultimate holding company

The immediate parent company of the group is Farmland Reserve, Inc., a company incorporated in the United States of America. The ultimate holding company is the Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints, a company incorporated in the state of Utah, United States of America.

Assurances of continued financial support have been received from the Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints.

On 30 August 2012, £31,593,000 was donated to Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints.

Transactions with subsidiary companies have been disclosed in note 2.

21 Capital commitments

The group had capital commitments at 31 December 2012 of £90,000 (2011 £nil) for the purchase of 13.6 acres of arable land.

22 Leasing commitments

At 31 December 2012 the group had annual commitments under non-cancellable operating leases as set out below:

Group	2012 £'000	2011 £'000
Land and buildings:		
In one year or less	-	-
Within one to two years	12	9
	<u>12</u>	<u>9</u>

23 Post balance sheet event

At the year end 31 December 2012 Farmland Reserve UK Limited was in the midst of negotiating a land swap, which consisted of trading its Norfolk farm property for farm properties near its headquarters in Cambridgeshire plus a differential payment. The transaction completed on 25 February 2013.